

LEBANON THIS WEEK

In This Issue

Economic Indicators.....1
Capital Markets.....1
Lebanon in the News.....2

Lebanon to be marginally affected by potential changes in U.S. trade and immigration policies

Lebanon ranks 90th globally, ninth among Arab countries in trade competitiveness

Cost of mobile-broadband in Lebanon is eighth most expensive among Arab countries

Fiber-optic network to be fully installed by 2020

Airport passengers up 6% in first 11 months of 2016

Value of cleared checks down 2.5%, returned checks down 4% in first 10 months of 2016

Coincident Indicator up 5% year-on-year in first nine months of 2016

Corporate Highlights6

Commercial banks' assets reach \$200bn at end-October 2016

Stock market index up 6% in first 11 months of 2016

Launch of online map for social entrepreneurship

BBAC's net earnings up 12% to \$42m in first nine months of 2016

Bank Audi to increase capital through issuance of preferred shares

AUB ranks among top 100 universities in terms of graduate employability

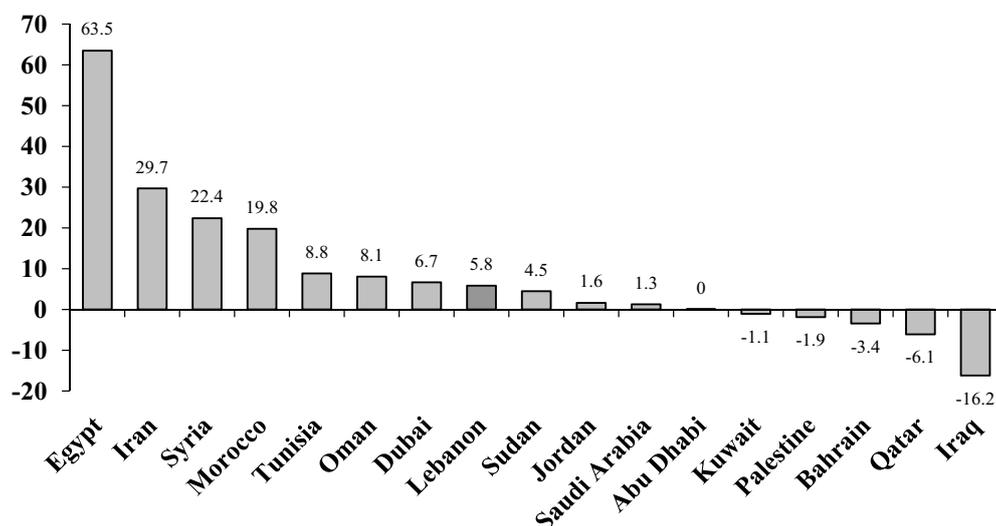
Moody's places LafargeHolcim on review for downgrade

Net earnings of mid-sized banks down 9% in 2015

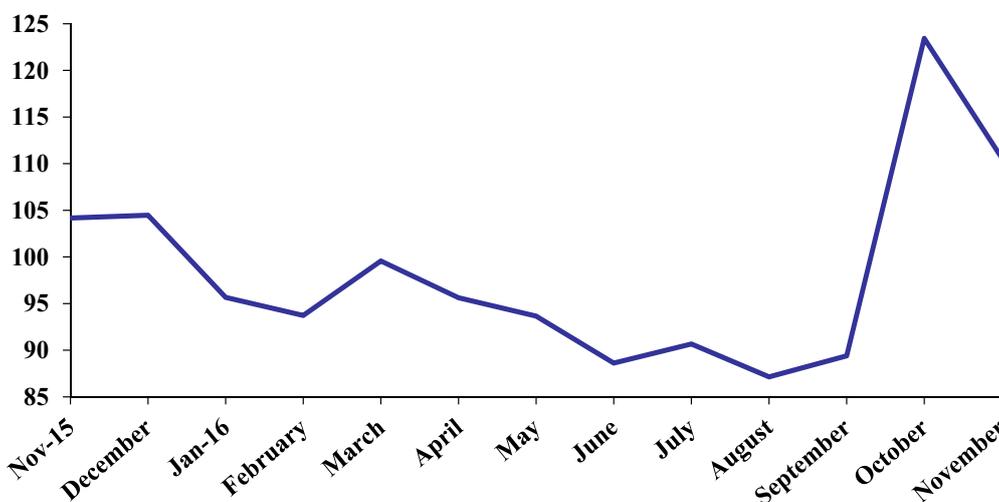
Ratio Highlights.....10
Risk Outlook10
Ratings & Outlook.....10

Charts of the Week

Performance of MENA Stock Markets in the First 11 Months of 2016 (% change)



Performance of the Beirut Stock Exchange*



* Capital Markets Authority Value Weighted Index end of month values
Source: Local Stock Markets, Dow Jones Indices, Capital Markets Authority, Byblos Bank

Quote to Note

"Absent significant structural reforms on either revenue or spending, Lebanon's public finances are projected to remain structurally weak."

The World Bank, on the need to implement much-needed fiscal reforms to reduce the government's borrowing needs.

Number of the Week

800: Number of technology start-ups that have been formed in Lebanon since Banque du Liban issued Circular 331 in August 2013, according to Central Bank Governor Riad Salamé

Lebanon in the News

\$m (unless otherwise mentioned)	2015	Aug 2015	May 2016	Jun 2016	Jul 2016	Aug 2016	% Change*
Exports	2,952	219	237	280	247	340	55.25
Imports	18,069	1,479	1,629	1,533	1,447	1,951	31.91
Trade Balance	(15,117)	(1,260)	(1,392)	(1,253)	(1,200)	(1,611)	27.86
Balance of Payments	(3,354)	(332)	(862)	(13)	352	1,788	-
Checks Cleared in LBP	18,714	1,597	1,591	1,577	1,490	1,616	1.16
Checks Cleared in FC	50,845	4,294	4,018	4,076	3,748	4,205	(2.07)
Total Checks Cleared	69,559	5,891	5,609	5,653	5,238	5,821	(1.20)
Budget Deficit/Surplus	(3,952)	(131.05)	(40.18)	(263.20)	(49.46)	(542.16)	313.71
Primary Balance	724.40	119.82	542.95	103.48	172.32	(262.41)	-
Airport Passengers***	7,241,463	893,708	618,581	572,461	892,417	917,286	2.64

\$bn (unless otherwise mentioned)	2015	Aug 2015	May 2016	Jun 2016	Jul 2016	Aug 2016	% Change*
BdL Gross FX Reserves	30.64	32.77	32.03	33.20	32.70	35.67	8.86
<i>In months of Imports</i>	20.35	22.15	19.66	21.65	22.60	18.28	(17.48)
Public Debt	70.31	68.89	71.49	72.90	73.39	74.05	7.48
Bank Assets	185.99	181.62	188.63	190.36	190.93	195.77	7.79
Bank Deposits (Private Sector)	151.59	149.63	153.89	154.66	155.07	157.09	4.99
Bank Loans to Private Sector	54.22	52.41	55.52	55.88	56.07	56.38	7.57
Money Supply M2	52.15	51.08	52.98	53.25	53.31	54.00	5.71
Money Supply M3	123.62	121.52	125.65	126.38	126.63	128.15	5.46
LBP Lending Rate (%)****	7.45	6.89	8.53	8.31	8.32	8.29	140bps
LBP Deposit Rate (%)	5.56	5.61	5.58	5.56	5.57	5.56	(5bps)
USD Lending Rate (%)	7.06	7.12	7.29	7.20	7.25	7.28	16bps
USD Deposit Rate (%)	3.17	3.19	3.26	3.31	3.30	3.39	20bps
Consumer Price Index**	(3.75)	(4.60)	(2.45)	(0.98)	(0.48)	(0.79)	381bps

* Year-on-Year ** Year-on-Year percentage change ***includes arrivals, departures, transit

**** Starting January 2016, lending rates in Lebanese pounds are reported before any subsidy or facility from reserve requirements according to Intermediate Circular No 389, and as such they are not comparable year-on-year

Note: bps i.e. basis points

Source: Association of Banks in Lebanon, Banque du Liban, Ministry of Finance, Central Administration of Statistics, Byblos Research

Capital Markets

Most Traded Stocks on BSE	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization
Audi Listed	6.70	(0.74)	8,926,604	22.40%
Audi GDR	6.84	(2.29)	1,117,585	6.86%
BLOM GDR	10.90	0.93	279,951	6.74%
Solidere "A"	11.16	(2.87)	120,295	9.33%
BLOM Listed	10.30	0.98	38,540	18.52%
Solidere "B"	11.10	(1.86)	29,055	6.03%
Byblos Common	1.69	0.00	22,624	7.99%
Byblos Pref. 09	101.20	(0.78)	3,083	1.69%
HOLCIM	13.25	(2.07)	1,575	2.16%
Byblos Pref. 08	102.00	0.69	500	1.71%

Source: Beirut Stock Exchange (BSE); *Week-on-week

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Mar 2017	9.00	101.00	5.52
Nov 2018	5.15	99.38	5.49
May 2019	6.00	99.00	6.44
Mar 2020	6.38	99.25	6.63
Apr 2021	8.25	105.50	6.77
Oct 2022	6.10	95.88	6.97
Jun 2025	6.25	92.75	7.41
Nov 2026	6.60	93.88	5.00
Feb 2030	6.65	91.75	6.00
Nov 2035	7.05	92.50	7.82

Source: Byblos Bank Capital Markets

	Nov 28- Dec 2	Nov 21-25	% Change	October 2016	October 2015	% Change
Total Shares Traded	10,568,377	879,281	1,101.9	6,376,852	5,993,797	6.4
Total Value Traded	\$1,062,939	\$9,591,678	(88.9)	\$48,997,196	\$57,995,042	(15.5)
Market Capitalization	\$11.96bn	\$12.07bn	(0.93)	\$11.95bn	\$11.19bn	6.8

Source: Beirut Stock Exchange (BSE)



Lebanon to be marginally affected by potential changes in U.S. trade and immigration policies

S&P Global Ratings indicated that Lebanon is the 40th most vulnerable economy among 81 emerging markets (EMs) to potential protectionist policies of the upcoming U.S. Administration. It added that Lebanon is the fifth most vulnerable country to such policies among nine countries in the Middle East & North Africa (MENA) region. S&P noted that U.S. President-elect Donald Trump has repeatedly signaled his preference to shift away from the open-market approach of traditional U.S. trade policy. It anticipated that the stated policies of the new U.S. Administration, if implemented, would lead to restrictions on foreign trade and immigration, which would affect EM economies to varying degrees.

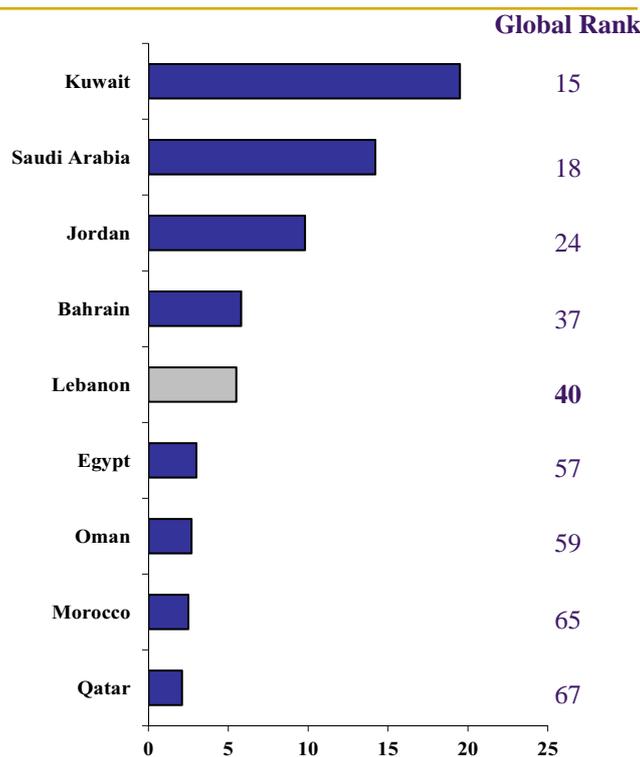
S&P assessed the potential vulnerability of EM countries by comparing their dependence on U.S. economic openness through two variables that are the share of an EM country's exports to the U.S. as a percentage of its GDP, as well as the share of worker remittances sent from the U.S. as a percentage of the EM economy's current account receipts (CARs).

Globally, Lebanon would be more vulnerable to potential U.S. restrictions on foreign trade and immigration than Ghana, South Africa and Indonesia, and less vulnerable than Bahrain, Pakistan and Lithuania.

S&P figures show that Lebanon is the fifth least exposed EM sovereign globally and the least exposed among economies in the MENA region through the export channel, as Lebanon's exports to the U.S. account for 0.1% of its GDP, compared to an average ratio of 4.2% of GDP for EMs and of 3.1% of GDP for MENA economies. Globally, Lebanon is more exposed than only Mongolia, Cape Verde, Montenegro and Burkina Faso.

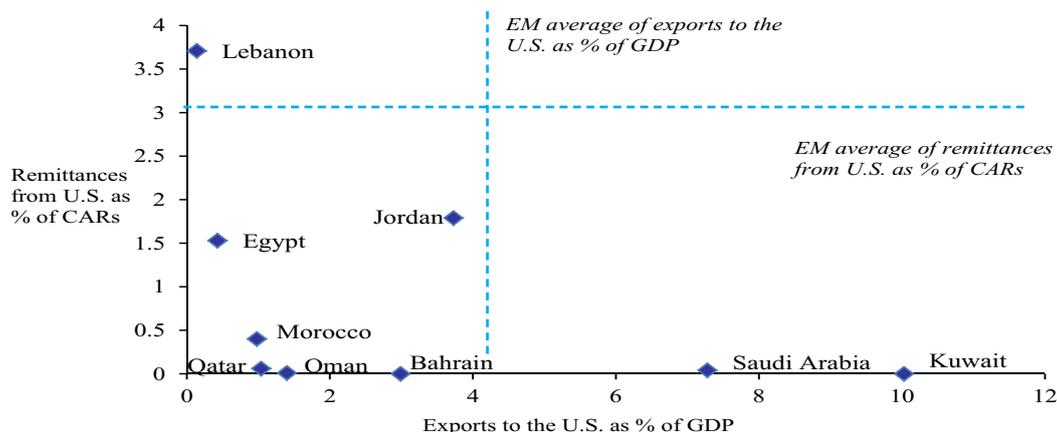
Further, Lebanon is the 14th most exposed EM sovereign globally and the most exposed regionally through the remittance channel. S&P estimated that remittance inflows from the U.S. to Lebanon represent 3.7% of its CARs, relative to an average share of 2.9% of CARs for EMs and of 0.8% of CARs for MENA countries. Globally, Lebanon is less exposed through this channel than only El Salvador, Guatemala, Honduras, Jamaica, the Dominican Republic, Nicaragua, the Philippines, Nigeria, Belize, Mexico, Cape Verde, Ecuador and Vietnam.

Vulnerability Index to Potential U.S. Protectionist Policies



Source: S&P Global Ratings, Byblos Research

Exposure through the Remittance and Export Channels



Source: S&P Global Ratings, Byblos Research



Cost of mobile-broadband in Lebanon is eighth most expensive among Arab countries

The International Telecommunication Union (ITU) indicated that the cost of prepaid handset-based mobile-broadband service in Lebanon was \$11 per month in 2015, which is equivalent to 1.32% of the country's gross national income (GNI) per capita. The cost covers a minimum of 500 Megabytes of mobile-broadband service that are used through handheld devices such as a mobile phones or tablets. The cost of the service in Lebanon was the 96th highest among 178 countries, the 27th highest among 50 upper middle-income countries (UMICs) and the eighth highest among 18 Arab countries. But it was lower than the global average of 4.8% of GNI per capita, the UMICs' average of 1.9% of GNI per capita and the Arab average of 3.9% of GNI per capita. Norway has the least expensive prepaid handset-based mobile-broadband in the world at 0.07% of GNI per capita, and Qatar has the cheapest service among Arab countries at 0.29% of GNI per capita.

Further, the cost of postpaid computer-based mobile-broadband service in Lebanon was \$20.9 per month, which is equivalent to 2.5% of the country's GNI per capita. The cost covers a minimum of one Gigabyte of mobile broadband that is used through a computer. The cost of the service in Lebanon was the 89th most expensive globally, the 21st most expensive among UMICs and the eighth most expensive regionally. But it came lower than the global average of 7.9% of GNI per capita, the UMICs' average of 2.9% of GNI per capita and the Arab average of 4.6% of GNI per capita. Denmark has the least expensive prepaid computer-based mobile-broadband in the world at 0.14% of GNI per capita and Qatar has the cheapest service among Arab countries at 0.21% of GNI per capita per month.

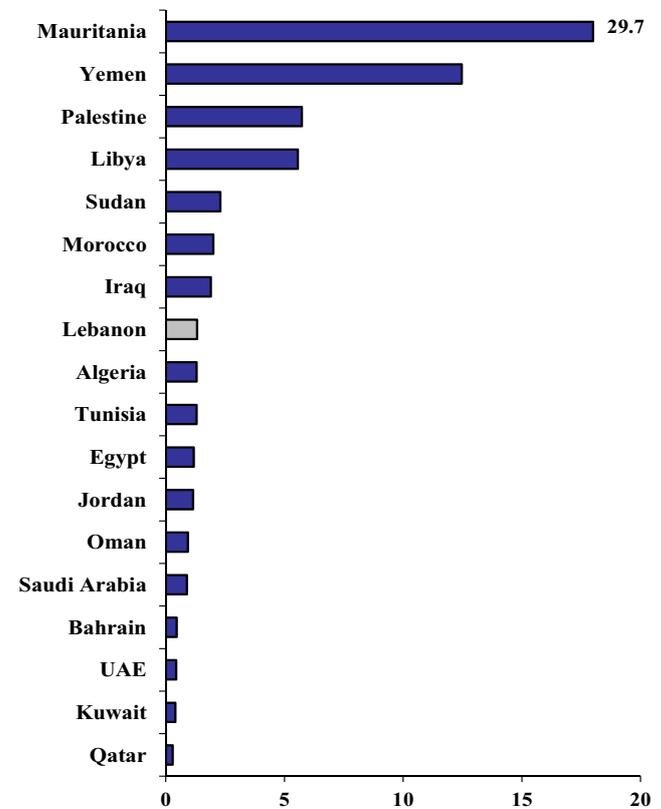
In parallel, the cost of fixed broadband for a minimum of one Gigabyte in Lebanon was \$17.51 per month in 2015, equivalent to 2.1% of the country's GNI per capita. The cost covers a monthly subscription to an entry-level fixed-broadband plan. The cost of the service in Lebanon was the 110th highest globally, the 35th highest among UMICs and the 11th highest among Arab countries. But it was lower than the global average of 31.8% of GNI per capita, the UMICs' average of 3.3% of GNI per capita and the Arab average of 3.4% of GNI per capita. In comparison, Kuwait has the least expensive fixed broadband in the world at 0.26% of GNI per capita.

Fiber-optic network to be fully installed by 2020

The Ministry of Telecommunications declared that the installation of the fiber-optic network in Lebanon would cover 85% of the Lebanese population by the end of 2017 and 100% of the population by 2020. It indicated that main locations in different regions across Lebanon are currently connected through fiber optic cables and that it is currently in the process of connecting fiber optic cables to houses and big enterprises.

The installation of the fiber optic cables is part of the five-year "Lebanon 2020 Digital Telecom Vision" project, which the ministry launched in July 2015, to develop the country's telecom infrastructure. Also, fiber optic cables would provide Internet users with an average Internet speed of 100 megabits per second, compared to the speed provided through copper cables that stands at around 8 megabits per second. The ministry said that the use of fiber optic cables, instead of copper cables, would reduce by 50% the quantity of cables needed to connect the same number of households. In parallel, the ministry expects Lebanon to have faster mobile broadband Internet after completing the installation of the 4G services across Lebanon by the end of 2016.

Cost of prepaid handset-based mobile-broadband for a minimum of 500 Megabytes (% of GNI)



Source: International Telecommunication Union, Byblos Research

Lebanon ranks 90th globally, ninth among Arab countries in trade competitiveness

The World Economic Forum's Enabling Trade Index (ETI) for 2016 ranked Lebanon in 90th place among 136 countries around the world and in ninth place among 14 Arab economies. Lebanon also came in 28th place among 35 upper-middle income countries (UMICs) included in the survey. Lebanon's global rank improved by two spots from 92nd place in the 2014 survey and its regional rank rose by one spot from 10th place, while its rank among UMICs was unchanged from the 2014 survey.

The ETI, which is issued every two years, measures the extent that individual economies have developed institutions, policies, infrastructure and services that facilitate the free flow of goods across borders and to destinations. The index is composed of four sub-indices that are Market Access, Border Administration, Transport Infrastructure, and the Operating Environment. The scores of the index and its sub-indices range from one to seven, with seven reflecting the lowest barriers to trade.

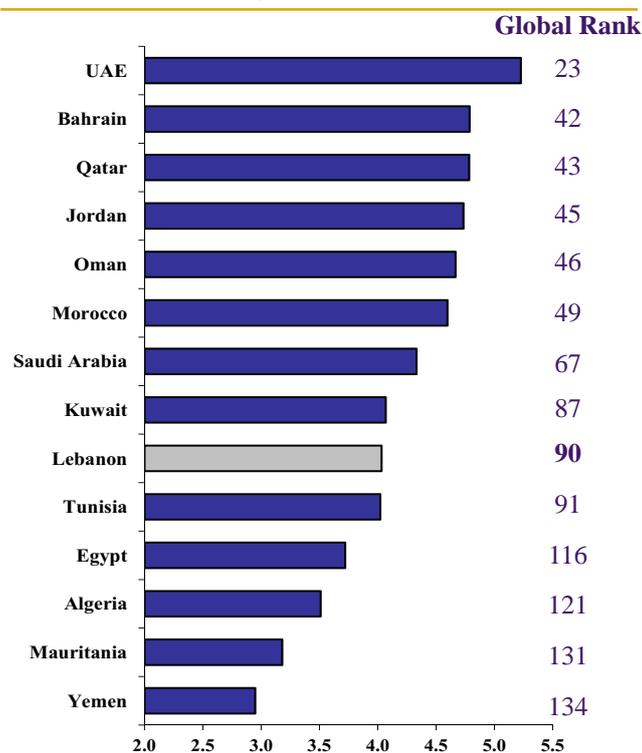
Globally, Lebanon has higher barriers to trade than Kuwait, Kazakhstan and Jamaica, and lower trade barriers than Tunisia, Laos and Argentina among economies with a GDP of \$10bn or more. It also has higher trade barriers than Paraguay, Brazil and Russia, and lower barriers than Colombia, Kazakhstan and Jamaica among UMICs. Lebanon received a score of 4.03 points, lower than the global average of 4.38 points, the Arab average of 4.19 points, and the UMIC's average of 4.24 points. Also, Lebanon's score was lower than the Gulf Cooperation Council (GCC) countries' average score of 4.64 points, but higher than the average score of non-GCC Arab countries of 3.84 points. Singapore has the lowest barriers to trade globally, while Venezuela has the highest trade barriers.

The World Economic Forum indicated that the most problematic factors for Lebanese exporters include accessing imported inputs at competitive prices, identifying potential markets & buyers, burdensome procedures at foreign borders, abiding by technical requirements & standards abroad, and delays caused by international & domestic transportation. In parallel, the WEF considered that the most problematic factors for importing to Lebanon include burdensome import procedures, corruption at the border, high tariffs, delays caused by international & domestic transportation, and inappropriate telecommunications infrastructure.

Lebanon ranked ahead of Paraguay, Mali and Bangladesh, and came behind Norway, Jamaica and Ukraine on the Market Access Sub-Index. This category measures the extent that the policy framework of the country facilitates access to foreign markets for its exporters and welcomes foreign goods into the country. Regionally, Lebanon ranked behind Jordan, Yemen, Tunisia and Morocco. Also, Lebanon ranked ahead of Namibia, Vietnam and Ghana, and came behind Columbia, El Salvador and Saudi Arabia on the Border Administration Sub-Index. This category assesses the extent that the procedures at the borders are transparent, and facilitates the entry and exit of goods. Regionally, Lebanon ranked ahead of Kuwait, Tunisia, Mauritania, Algeria, Egypt and Yemen.

Further, Lebanon came ahead of Peru, El Salvador and Jamaica, and ranked behind Namibia, the Dominican Republic and Tunisia on the Transport Infrastructure Sub-Index. This category evaluates the level of transport infrastructure necessary to facilitate the movement of goods within a country and across the border. Regionally, Lebanon ranked ahead of Algeria, Yemen and Mauritania. Finally, Lebanon came ahead of Cameroon, Gabon and Algeria, and ranked behind Ecuador, Nepal and Bosnia & Herzegovina on the Operating Environment Sub-Index. This category looks at the quality of governance as well as the regulatory and security environments that impact the business of importers and exporters. Regionally, Lebanon ranked ahead of Algeria, Egypt, Mauritania and Yemen.

Enabling Trade Index 2016



Source: World Economic Forum, Byblos Research

Components of the 2016 Enabling Trade Index for Lebanon

	Global Rank	Arab Rank	UMICs Rank	Lebanon Score	Global Avg Score	Arab Avg Score	UMICs Avg Score
Market Access	81	5	19	4.37	4.44	4.12	4.33
Border Administration	84	8	25	4.20	4.63	4.15	4.48
Transport Infrastructure	85	11	27	3.72	4.09	4.14	3.95
Operating Environment	108	10	28	3.83	4.38	4.35	4.19

Source: World Economic Forum, Byblos Research



Airport passengers up 6% in first 11 months of 2016

Figures released by the Hariri International Airport (HIA) show that there were 7,012,222 airport passengers (arrivals, departures and transit) in the first 11 months of 2016, constituting an increase of 5.9% from 6,624,139 passengers in the same period last year. The number of arriving passengers grew by 8.1% year-on-year to 3,463,398 in the first 11 months of 2016, compared to an increase of 9.1% in the same period of 2015 and to a rise of 5.9% in the first 11 months of 2014. Also, the number of departing passengers grew by 4.4% year-on-year to 3,540,614 in the first 11 months of 2016, relative to a rise of 10.8% in the same period of 2015 and to an increase of 2.7% in the first 11 months of 2014. In parallel, the airport's aircraft activity grew by 3.8% year-on-year to 65,202 take-offs and landings in the first 11 months of 2016 compared to an increase of 6.5% in the same period of 2015 and to a rise of 2.3% in the first 11 months of 2014. In addition, the HIA processed 77,404 metric tons of freight in the covered period that consisted of 47,436 tons of import freight and 29,968 tons of export freight. Middle East Airlines had 22,257 flights in the first 11 months of 2016 and accounted for 34.1% of HIA's total aircraft activity.

Value of cleared checks down 2.5%, returned checks down 4% in first 10 months of 2016

The value of cleared checks reached \$56.6bn in the first 10 months of 2016, constituting a decrease of 2.5% from \$58.1bn in the same period of 2015. In comparison, the value of cleared checks regressed by 7.1% in the first 10 months of 2015 and increased by 4.2% in the same period of 2014. The value of cleared checks in Lebanese pounds grew by 5.4% year-on-year to the equivalent of \$16.3bn in the first 10 months of 2016, while their value in US dollars declined by 5.4% to \$40.3bn in the covered period. The dollarization rate of cleared checks decreased to 71.2% from 73.3% in the first 10 months of 2015. Further, there were 10.3 million cleared checks in the first 10 months of 2016, down by 1.2% from 10.4 million in the same period last year.

In parallel, the value of returned checks in domestic and foreign currency was \$1.24bn in the first 10 months of 2016 compared to \$1.29bn in the same period of 2015 and \$1.28n in the first 10 months of 2014. This constituted a drop of 4.1% year-on-year in the first 10 months of 2016 relative to a rise of 0.5% in the same period of 2015 and an increase of 0.2% in the first 10 months of 2014. Also, there were 189,700 returned checks in the covered period, down by 3.2% from 195,900 checks in the first 10 months of 2015.

Coincident Indicator up 5% year-on-year in first nine months of 2016

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 284.2 points in September 2016 compared to 284.6 in August 2016 and 271.5 in September 2015. The Coincident Indicator, an average of 8 weighted economic indicators, was nearly unchanged month-on-month and increased by 4.7% year-on-year in September 2016. The indicator averaged 286.7 in the first nine months of 2016, up 4.6% from 274.1 in the same period of 2015. Also, the indicator averaged 288.1 in the 12-month ending September 2016, compared to 287 in the 12-month ending August 2016 and 275 in the 12-month ending September 2015. As a result, the 12-month average coincident indicator rose by a marginal 0.4% month-on-month and by 4.7% year-on-year. In parallel, the indicator regressed 13 times and improved 11 times on a monthly basis in the month of September since 1993. It averaged 249.5 points in 2010, 255.7 points in 2011, 256.6 points in 2012, 264.7 points in 2013, 273.2 points in 2014 and 278.6 in 2015.

Commercial banks' assets reach \$200bn at end-October 2016

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached \$199.7bn at the end of October 2016, constituting an increase of 7.4% from the end of 2015 and a rise of 9.6% from end-October 2015. Loans extended to the private sector reached \$56.7bn at the end of October 2016, reflecting an increase of 4.5% from the end of 2015 and a rise of 7% from end-October 2015. Loans to the resident private sector totaled \$50.45bn and grew by 5% from the end of 2015 and by 6.9% year-on-year; while credit to the non-resident private sector reached \$6.23bn, expanding by 0.9% from end-2015 and by 7.4% from end-October 2015. In nominal terms, credit to the private sector increased by \$2.46bn in the first 10 months of 2016 relative to a growth of \$2.1bn in the same period of 2015. Lending to the resident private sector grew by \$2.4bn in the first 10 months of 2016 relative to an increase of \$1.8bn in the same period of 2015, while credit to the non-resident private sector expanded by \$52m in the first 10 months of the year compared to an increase of \$270m in the same period of 2015. The dollarization rate in private sector lending regressed to 73.1% at the end of October 2016 from 74.5% a year earlier. In addition, claims on non-resident banks reached \$8.9bn at the end of October 2016, down by 23.2% from the end of 2015, while claims on the public sector stood at \$34.7bn at the end of October, down by 8.1% from end-2015. The average lending rate in Lebanese pounds was 8.35% in October 2016, while the same rate in US dollars stood at 7.06%. Further, the deposits of commercial banks at the Central Bank totaled \$87.3bn at the end of October 2016, constituting a jump of 23.7% from the end of 2015 and a rise of 25.6% from the end of October 2015.

In parallel, private sector deposits totaled \$157.7bn at the end of October 2016, constituting an increase of 4% from the end of 2015 and a rise of 5.6% from end-October 2015. Deposits in Lebanese pounds reached \$55bn and grew by 3.3% from end-2015 and by 4% from a year earlier; while deposits in foreign currencies totaled \$102.6bn and increased by 4.4% from the end of 2015 and by 6.4% from end-October 2015. Aggregate non-resident deposits reached \$32.9bn at the end of October and expanded by 3.3% from end-2015 and by 6.2% from a year earlier.

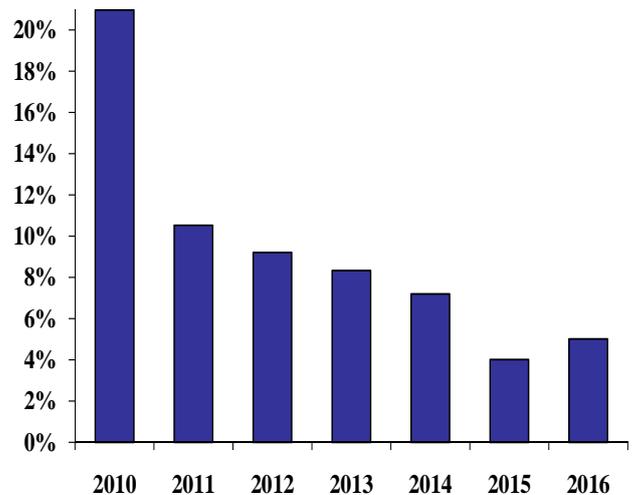
In nominal terms, private sector deposits regressed by \$88.9m in January, by \$80.9m in February and by \$491.5m in October; while they increased by \$1bn in March, by \$486.2m in April, by \$959.2m in May, by \$768.8m in June, by \$409.3m in July, by \$2bn in August and by \$1.05bn in September 2016. As such, total private sector deposits rose by \$6.1bn in the first 10 months of 2016 compared to an increase of \$4.9bn in the same period of 2015. Resident private sector deposits grew by \$5bn in the first 10 months of 2016 relative to a rise of \$4.26bn in the same period of 2015, while non-resident deposits jumped by \$1bn in the first 10 months of the year compared to a rise of \$670m in the same period of 2015. Further, deposits of non-resident banks reached \$6.8bn at the end of October 2016, up by 4.1% from end-2015 and by 10.3% from a year earlier.

The dollarization rate of deposits was 65.1% at the end of October 2016 relative to 64.6% a year earlier. Further, the average deposit rate in Lebanese pounds was 5.53% in October 2016 compared to 5.67% a year earlier, while the same rate in US dollars was 3.43% relative to 3.2% in October 2015. In addition, the ratio of private sector loans-to-deposits in foreign currency stood at 40.4%, well below the Central Bank's limit of 70% and compared to 40.9% a year earlier. The same ratio in Lebanese pounds was 27.7% at end-October 2016 relative to 25.5% at the end of October 2015. The ratio of total private sector loans-to-deposits was 36% relative to 35.5% a year earlier. The banks' aggregate capital base stood at \$17.7bn, up by 6.2% from \$16.7bn at end-2015.

Stock market index up 6% in first 11 months of 2016

Figures released by the Beirut Stock Exchange (BSE) indicate that trading volume reached 102.7 million shares in the first 11 months of 2016, constituting an increase of 45.7% from 70.5 million shares traded in the same period of 2015; while aggregate turnover amounted to \$850.2m, up by 42.4% from a turnover of \$597m in the first 11 months of 2015. Market capitalization grew by 6.8% from the end of November 2015 to \$11.95bn, with banking stocks accounting for 82% of the total, followed by real estate shares (15.3%), industrial firms (2.4%) and trading stocks (0.3%). The market liquidity ratio was 7.1% in the covered period compared to 5.3% in the first 11 months of 2015. Banking stocks accounted for 91.6% of the aggregate trading volume in the first 11 months of the year, followed by real estate equities with 8.2% and industrial shares with 0.2%. Also, banking stocks represented 89.1% of the aggregate value of shares traded, followed by real estate equities with 10.5% and industrial stocks with 0.4%. The average daily traded volume for the period was 460,360 shares for an average daily value of \$3.8m. The figures reflect an increase of 44.4% in volume and a rise of 41.2% in value year-on-year. In parallel, the Capital Markets Authority's Market Value-Weighted Index for stocks traded on the BSE increased by 5.8% in the first 11 months of 2016, while the CMA's Banks Market Value-Weighted Index rose by 11.9% from end-2015.

Resident Private Sector Lending Growth* (% Change)



* in the first 10 months of each year

Source: Association of Banks in Lebanon, Byblos Research

Launch of online map for social entrepreneurship

Non-governmental organization Digital Opportunity Trust (DOT) Lebanon launched a social entrepreneurship online map that aims to identify and place social startup businesses on the map of Lebanon. The project, which supports social businesses and the startup ecosystem in Lebanon, is in partnership with the UN Educational, Scientific and Cultural Organization (UNESCO), the incubator Berytech, the Lebanese League for Women in Business, the France-based social enterprise MakeSense, and Tahaki, a platform that specializes in online maps for social purposes. The initiative allows social businesses in Lebanon to register to the social entrepreneurship map on the Tahaki portal. There are currently over 60 registered businesses on the online map, which consist of those that provide innovative and sustainable solutions for the community, including environmental protection and waste treatment. The UNESCO provided \$4,400 to help fund the project.

DOT Lebanon offers programs, in partnership with various national, international and community-based organizations, to empower under-privileged women; activate communities through technology and innovation; and enhance access to business and information, communication, and technology (ICT) services. Established in 2002, DOT is a Canada-based international social enterprise that delivers technology, entrepreneurship and leadership training programs to young entrepreneurs in seven countries, including Lebanon.

BBAC's net earnings up 12% to \$42m in first nine months of 2016

BBAC Bank sal, one of Lebanon's top 10 banks, announced unaudited consolidated net profits of \$41.6m in the first nine months of 2016, constituting an increase of 11.9% from the same period last year. Net operating income rose by 91.1% year-on-year to \$180.2m in the first nine months of the year, with net interest income increasing by 13.1% to \$73.2m and net fees & commissions receipts declining by 2.3% year-on-year to \$18.5m. Non-interest income accounted for 61% of total income, up from 35.8% in the same period last year; with net fees & commissions representing 16.15% of non-interest earnings relative to 52.4% in the first nine months of 2015. Further, the bank's interest margin was 1.62% in the first nine months of 2016 relative to 1.6% in the same period last year; while its spread reached 1.56% in the first nine months of 2016, up from 1.54% in the same period of 2015. Total operating expenditures increased by 2.6 times to \$130.5m, with administrative & other operating expenses rising 5.8 times to \$94.5m and staff expenses increasing by 7% to \$32.5m. Also, the bank's return on average assets was unchanged at 0.89% in September 2016 on an annualized basis from September 2015; while its return on average equity increased to 11.25% on an annualized basis from 10.81% in September 2015. The cost-to-income ratio rose to 69.5% in the first nine months of the year from 49.7% in the same period of 2015.

In parallel, total assets reached \$6.39bn at the end of September 2016, constituting an increase of 4.9% from end-2015 and a rise of 11.6% from a year earlier. Loans & advances to customers, excluding those to related parties, increased by 5.1% from end-2015 to \$1.72bn. Also, customer deposits, excluding those from related parties, totaled \$5.47bn at the end of September 2016, and grew by 4.8% from end-2015. The loans-to-deposits ratio regressed to 30.78% at end-September 2016 from 30.88% a year earlier. In parallel, the bank's shareholders' equity rose by 6.1% from end-2015 to \$507.8m at the end of September 2016.

Bank Audi to increase capital through issuance of preferred shares

The Extraordinary General Assembly of Bank Audi sal that was held on November 29, 2016, approved the increase of the bank's capital from LBP668.2bn (\$443.2m) to LBP672.3bn (\$446m) through the issuance of 2,500,000 new Series 'T' Preferred Shares. The shares will have an issue price of \$100 per share, of which LBP1,656 is par value and the remaining \$98.9 constitutes the issue premium. The Series 'T' Preferred Shares are non-cumulative, redeemable and perpetual, and they will carry an annual dividend rate of 7% of the issue price adjusted on a pro-rata basis for the fraction of the year during which the issuance of the shares occurs. The annual dividend payments are contingent on the availability of sufficient declared net profits, and are subject to a 5% withholding tax.

The Series 'T' Shares will be listed on the Beirut Stock Exchange, in line with previous issuances. The bank has the option to call the shares within 60 days after the Ordinary General Assembly meets in April 2022 to approve the financials for fiscal year 2021, and annually thereafter, at a call price of \$100 per share plus any declared but unpaid dividends. Also, any redemption or cancellation of the Series 'T' Preferred Shares would be on a pro-rata basis. The bank would have to redeem a minimum of 20% of the outstanding Series 'T' Preferred Shares in case it decides to exercise its call option. Current holders of Series 'F' Preferred Shares, Series 'G' Preferred Shares and Series 'H' Preferred Shares have the priority to subscribe to the new shares in a proportion equivalent to the percentage of shares they currently own.



AUB ranks among top 100 universities in terms of graduate employability

The QS Graduate Employability Rankings for 2017 shows that the American University of Beirut (AUB) came in the 81-90 range among 300 ranked universities worldwide and in first place among six Arab universities. In comparison, AUB came in the 101-150 range in the 2016 survey, while its regional rank was unchanged year-on-year. AUB, which is the only Lebanese university to be included in the rankings, received an overall score of 51.7 points out of a maximum of 100 points, up from 40 points in the previous survey, and compared to the average score of 51.7 points for the top 100 universities.

The list includes five other Arab universities, which are Saudi Arabia's King Fahd University of Petroleum & Minerals (151-200 range), the UAE's Khalifa University (151-200 range), as well as the American University of Sharjah, the American University in Cairo and Cairo University (each in the 201+ range). Stanford University came in first place worldwide in terms of graduate employability, and received an overall score of 95.9 points.

The rankings are based on a weighted average of five factors that are employer reputation with a 30% weight, partnerships with employers (25%), alumni outcomes (20%), employer-student connections (15%) and graduate employment rate (10%).

AUB ranked in 76th place globally and in first place regionally in terms of employer reputation. It received a score of 59.9 points on this category, relative to an average score of 70.1 points for the top 100 universities. Also, it ranked in 32nd place globally and in first place among Arab countries in terms of alumni outcomes. It received a score of 87.6 points on this category, compared to an average score of 63.4 points for the top 100 universities.

Further, AUB ranked in 72nd place globally and in third place regionally in terms of employer-student connections. This category involves the number of employers that are actively present on the university's campus and that provide motivated students with an opportunity to network and acquire information through participating in career fairs, organizing company presentations or any other self-promoting activities. AUB received a score of 57.7 points on this category, compared to an average score of 41 points for the top 100 universities. The QS Graduate Employability Rankings are compiled by Quacquarelli Symonds Limited, a company specializing in education and study abroad.

Moody's places LafargeHolcim on review for downgrade

Moody's Investors Service placed on review for downgrade the 'Baa2' long-term issuer ratings and the 'P-2' short-term ratings of the Swiss-based building materials company LafargeHolcim Ltd and its rated subsidiaries. Holcim Ltd is the parent company of Holcim Liban sal. The agency noted that its decision follows the company's announcement to increase its dividend payout and to implement share buybacks at a time when its credit metrics are still weak for its current rating category. Further, Moody's pointed out that the company has delivered on its CHF3.5bn divestment program and has made progress in raising operating profitability and cash flow generation through the realization of synergies and cost savings following the merger of Lafarge and Holcim. But it noted that improvements in the firm's credit metrics are slower than anticipated. It indicated that the review process will mainly focus on the short- to medium-term business prospects on a region-by-region basis, in order to assess the firm's ability to quickly restore its credit metrics in line with Moody's guidance for the 'Baa2' rating. Moody's expects that a downgrade, if any, would be limited to one notch.

Holcim Liban sal posted unaudited net profits of \$21.8m in the first half of 2016, constituting an increase of 10.7 times from net earnings of \$2m in the same period of 2015. The firm's sales totaled \$78.6m in the first half of the year, up by 18% from \$66.7m in the same period of 2015; and its gross profit margin reached 49.2% in the first half of 2016 relative to 27.9% in the same period of 2015. Holcim's assets reached \$287.6m at the end of June 2016, constituting an increase of 5.5% from \$272.6m at end-2015. The firm's current ratio, which is a measure of the company's ability to meet its short-term obligations, was 3.47x at the end of June 2016, up from 2.37x at end-2015 and 3.21x a year earlier. The firm's shareholders' equity was \$236.1m at end-June 2016, up by 10.2% from \$214.4m at end-2015. The company's debt-to equity ratio was 21.8% at end-June 2016 relative to 27.2% at the end of 2015 and 21.1% at end-June 2015. The firm is engaged in the production and sale of cement and other related products. Holcim's share price closed at \$13.25 on December 2, 2016, down by 8.7% from \$14.52 at end-2015.

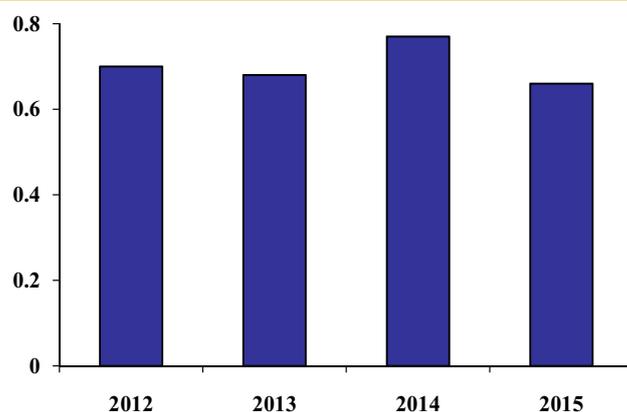
Net earnings of mid-sized banks down 9% in 2015

The consolidated net profits of the Beta Group of banks totaled \$120m in 2015, constituting a decrease of 9.2% from net earnings of \$132.3m in 2014. The Beta Group consists of banks with deposits of \$500m to \$2bn each. The banks' aggregate net operating income rose by 2.6% to \$480.8m in 2015, with aggregate net interest income increasing by 4% to \$330.5m and net fees & commissions receipts rising by 6.1% to \$97.4m year-on-year. Non-interest income accounted for 30.4% of total income in 2015, down from 32.8% in the preceding year. The banks' interest spread narrowed to 1.86% in 2015 from 1.89% in the preceding year. The banks' total operating expenditures rose by 5.7% to \$325.5m in 2015, with staff expenses increasing by 8.6% to \$171.2m and administrative & other operating expenses growing by 2.4% to \$129.3m. Further, the cost-to-income ratio reached 66.85% in 2015 relative to 63.64% in 2014. The banks' return on average assets decreased to 0.66% in 2015 from 0.77% in 2014; while their return on average equity fell from 9.43% in 2014 to 7.68% in 2015.

The banks' aggregate assets reached \$18.7bn at the end of 2015, constituting an increase of 5.7% from end-2014. Loans accounted for 37% of total assets at end-2015, followed by portfolio securities with 32%, liquid assets with 27%, and fixed and other assets with 2% each. Further, total loans & advances to customers rose by 3.6% from end-2014 to \$6.8bn, while credit extended to related parties decreased by 22.4% to \$197.5m at end-2015. Corporate loans accounted for 50.6% of total net lending to customers at the end of 2015 compared to 54.4% a year earlier. They were followed by lending to small- and medium-sized enterprises with 16.2% of the total relative to 12.9% at end-2014, housing credit with 13.3% of the total, unchanged from a year earlier, and retail loans with 11.9% relative to 12.3% at end-2014. Also, customer deposits reached \$15.4bn at the end of 2015 and rose by 5% from a year earlier; while deposits from related parties decreased by 12.5% to \$277.4m at end-2015.

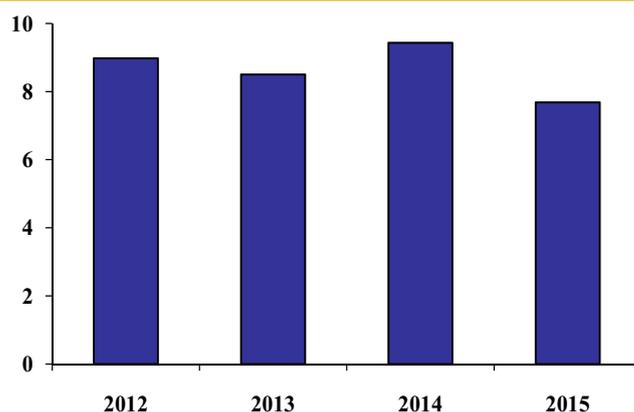
In parallel, the banks' loans-to-deposits ratio decreased to 44.7% at end-2015 from 45.55% a year earlier. The ratio of loans-to-deposits in local currency was 33.2% at end-2015 compared to 30.1% at end-2014, while that in foreign currency was 51.1% at the end of 2015 relative to 53.1% a year earlier. Further, the primary liquidity-to-assets ratio increased from 25.48% at the end of 2014 to 26.52% at end-2015. The banks' gross doubtful loans-to-gross loans ratio grew to 8.21% at end-2015 from 7.75% a year earlier. Also, loan-loss reserves on doubtful loans were 78.1% of gross doubtful loans at the end of 2015 compared to a ratio of 82.2% at end-2014. The banks' capital adequacy ratio stood at 14.82% at the end of 2015, up from 13.78% at end-2014, according to Basel II criteria.

Return on Average Assets (%)



Source: Bankdata

Return on Average Equity (%)



Source: Bankdata

Ratio Highlights

(in % unless specified)	2014	2015	2016e	Change*
Nominal GDP (\$bn)	50.0	51.1	52.0	
Public Debt in Foreign Currency / GDP	51.2	53.0	54.2	217
Public Debt in Local Currency / GDP	81.9	84.6	89.6	645
Gross Public Debt / GDP	133.1	137.6	143.8	862
Total Gross External Debt / GDP**	170.0	174.7	176.6	190
Trade Balance / GDP	(34.4)	(29.5)	(30.0)	47
Exports / Imports	16.2	16.6	16.1	(49)
Fiscal Revenues / GDP	21.8	18.7	19.6	118
Fiscal Expenditures / GDP	27.9	26.5	28.2	218
Fiscal Balance / GDP	(6.1)	(7.7)	(8.6)	99
Primary Balance / GDP	2.6	1.4	1.4	1
Gross Foreign Currency Reserves / M2	66.5	58.7	62.7	394
M3 / GDP	235.4	241.9	250.0	1230
Commercial Banks Assets / GDP	351.4	364.0	392.5	3483
Private Sector Deposits / GDP	288.9	296.6	307.7	1618
Private Sector Loans / GDP	101.8	106.1	109.2	495
Private Sector Deposits Dollarization Rate	65.7	64.9	65.0	10
Private Sector Lending Dollarization Rate	75.6	74.8	73.6	(123)

* Change in basis points 15/16

**Includes portion of public debt owed to non-residents, liabilities to non-resident banks, non-resident deposits (estimated by the IMF), Bank for International Settlements' claims on Lebanese non-banks

Source: Association of Banks in Lebanon, Institute of International Finance, International Monetary Fund, World Bank, Byblos Research Estimates & Calculations
Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

Risk Metrics

Lebanon	Oct 2014	Sep 2015	Oct 2015	Change**	Risk Level
Political Risk Rating	52.0	54.5	54.5	▼	High
Financial Risk Rating	38.0	39.0	39.0	▼	Low
Economic Risk Rating	27.0	33.0	33.0	▼	Moderate
Composite Risk Rating	58.5	63.25	63.25	▼	Moderate

MENA Average*	Oct 2014	Sep 2015	Oct 2015	Change**	Risk Level
Political Risk Rating	57.1	57.6	57.7	▼	High
Financial Risk Rating	40.6	39.2	39.3	▲	Low
Economic Risk Rating	35.6	31.3	31.2	▲	Moderate
Composite Risk Rating	66.6	64.0	64.1	▲	Moderate

*excluding Lebanon

**year-on-year change in risk

Source: The PRS Group, Byblos Research

Note: Political & Composite Risk Ratings range from 0 to 100 (where 100 indicates the lowest risk)

Financial & Economic Risk ratings range from 0 to 50 (where 50 indicates the lowest risk)

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's	B2	NP	Negative	B2		Negative
Fitch Ratings	B-	B	Stable	B-		Stable
Standard & Poor's	B-	B	Stable	B-	B	Stable
Capital Intelligence	B	B	Negative	B	B	Negative

Source: Rating agencies

Banking Ratings	Banks' Financial Strength	Banking Sector Risk	Outlook
Moody's	E+		Negative



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